

Shelton Canada to Acquire Zhoda

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Shelton Canada Corp. and Kroes Energy Inc. have entered into an agreement whereby Shelton will acquire 100% of the issued and outstanding shares of Kroes' wholly owned subsidiary, Zhoda 2001 Corp.

Zhoda's only operating asset is a 45% interest in a joint venture oilfield exploitation and development project in Ukraine. The most recent engineering report dated December 31, 2005 prepared by Calgary engineering firm Petroglobe (Canada) Ltd. has estimated Zhoda's net proven producing reserves to be 547,000 barrels of oil, its total net proven reserves to be 3,765,000 barrels of oil and its total net proven and probable reserves to be 5,977,000 barrels of oil. This report is attached to the Annual Information Form filed by Kroes on SEDAR on April 28, 2006. Another engineering report is being prepared with information updated to December 31, 2006.

In consideration for this acquisition, Shelton will pay to Kroes a total of \$4,927,753 as follows: (a) \$1,000,000 paid by cash; (b) \$3,498,753 by issuance of 6,997,507 common shares of Shelton; and (c) \$429,000 by way of transfer of Shelton's only remaining western Canadian oil and gas interests.

The completion of the Transaction is subject to a number of conditions including approval for the Transaction by the shareholders of Kroes and all relevant regulatory authorities and due diligence on the part of both Shelton and Kroes. Subject to the fulfillment of all conditions, this transaction is expected to close on or before May 31, 2007.

Zenon Potoczny, President of Shelton, said: "We are pleased to have been able to work with Kroes in what we think is a very positive arrangement for both companies. The acquisition of this producing property in Ukraine further enhances Shelton's business plan and will supplement the current inventory of exploitation and exploration projects that it already has in inventory."

Fred Callaway, President of Kroes, said: "The addition of the Kashtan joint venture will enhance Shelton's growing inventory of projects in Ukraine and we look forward to participating through our significant shareholding. Kroes will now concentrate on expanding its fledging program in western Canada where it has had good initial success, and this transaction strengthens Kroes' capacity to pursue domestic opportunities. We look forward to both companies growing and adding significant shareholder value."

Following completion of this transaction Shelton will continue as a junior oil and gas company listed on the TSX Venture Exchange. Kroes also will continue as a junior oil and gas company on the TSX Venture Exchange with emphasis on its operations in western Canada and Trinidad.

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